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SUBJECT: VIETNAM TOURISM BOOMS, BUT "HIDDEN CHARM" UNDER THREAT

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SENSITIVE - DO NOT POST ON INTERNET

¶1. (SBU) Summary: Vietnam's tourism industry is set to boom in the coming years, with Government of Vietnam (GVN) officials expecting the number of foreign tourists to rise roughly 15 percent annually from 3.6 million in 2006 to 6 million by 2010. Despite the positive trend, tourist industry executives say they are frustrated with the GVN lack of cooperation, initiative and transparency on the issue. They add the GVN is failing to market the country's potential adequately while over-development in some areas could create long-term damage. End Summary.

Hidden Charm

¶2. (U) The Government of Vietnam's official tourism slogan is "Vietnam: The Hidden Charm" -- a motto evoking the gentle streams, peaceful rice paddies and smiling villagers so common in postcards sold in Vietnam's tourist shops. With annual economic growth above eight percent, and with Vietnam gaining greater publicity as a result of Vietnam's WTO membership and last year's hosting of the Asia Pacific Economic Cooperation forum, the country's tourism industry is set to boom. Deputy Director of the Vietnam National Administration of Tourism (VNAT) Huoang Tuan Anh told Econoff the number of foreign tourists to Vietnam is expected to increase at an annual rate of about 15 percent over the next few years, from 3.6 million in 2006 to over 6 million by 2010. Revenues, which rose 20 percent in 2006 to USD 2.3 billion, are expected to rise similarly over the next five years, he added. The GVN sees the industry's rise as a boon for economic development. Tourism is currently the largest foreign currency earner for countries worldwide, according to the Pacific Asia Travel Association, and Vietnam, with its many beaches, famous cuisine, tropical climate and friendly, colorful citizens has much to offer. Tourism also helps small and medium sized enterprises, assisting the government with its goal of equitable growth, Anh said. "The government considers tourism a major sector of economic development. We want to make Vietnam a major destination in Southeast Asia," Anh said.

¶3. (U) Recent press reports have described a raft of new tourism projects:

--The Kanagawa-Vietnam Economic Exchange Association and Japan's Riviera Group have submitted a proposal for a USD 500 million trade center in Hanoi which would include a five-star hotel, an office tower and sports complex. The hotel is one of seven five-star properties to be approved by the Hanoi People's Committee this year.

--Saigon Tourist reportedly plans to build a USD 200 million World Trade Center in Ho Chi Minh City, including a 400-room, five-star hotel to lure increasing numbers of so-called MICE (Meetings, Incentives, Conventions and Exhibitions) visitors to the city.

--The luxury hotel and resort firm Raffles plans to build a USD 65 million resort complex near Danang at the idyllic China Beach in central Vietnam where U.S. troops were once based.

--The GVN plans to spend USD 46.8 million on tourism infrastructure in 2007, up from USD 38.8 million in 2006. Government projects include the building of three secondary vocational schools of tourism in Can Tho, Dalat, and Nha Trang. Ten more such schools will be built in the next four years. A new College of Tourism will be also established in 2007 in Danang.

Private Sector Frustrated, However

¶4. (SBU) Despite the expected growth, industry executives have expressed increasing frustration over the GVN's tourism efforts. In interviews with Econoff, they have said that a lack of coordination with industry, poor planning and corruption threaten to spoil Vietnam's most picturesque locations due to over development and environmental damage just as the industry is set to take off. Joe Mannix, Vietnam General Manager of United Airlines and the head of the Tourism Working Group (TWG) for the Vietnam Business Forum, said the National Tourism Administration (NTA) refused to consult with industry before the NTA submitted a five-year tourism master plan to the Prime Minister. "I would hope that this is changing, but we have struggled to get the government to the table," he said. "The words are there but not the action." The result, he said, was that plans were developed in a vacuum. In his opinion, Vietnam needs to focus more on visitors from wealthier countries and develop better services for wealthier tourists. He asserted that the GVN also needs to demonstrate a greater commitment to marketing, perhaps with a campaign similar to the "Malaysia Truly Asia" campaign which helped that country boost its number of foreign visitors to 11 million foreign visitors in 2005. Thailand receives nearly 14 million on average. "The government has not reached out well enough to understand what a comprehensive tourism operational plan is," he said.

¶5. (SBU) Other industry executives criticized the quality of sites

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and services, as well as Vietnam's failure to address well known environmental degradation of certain sites such as Halong Bay, a UNESCO World Heritage Site. "Halong Bay has become clogged with tour boats and strewn with garbage," said Michael Johnston, General Manager of Handspan Adventure Travel in Hanoi. "But the big problem is that there are too many officials on the take." He said government corruption and poor planning are leading to a range of problems including overbuilding, unsafe construction and environmental degradation at sensitive resort areas. Other industry executives blasted the lack of investment in museums in Vietnam's main cities. "What is there to see in Hanoi?" asked Vu Viet Hung, Senior Business Development Manager of the Sheraton Hanoi. "The tourism sites are the same ones that existed 20 years ago. Nothing has changed."

Tourism Board Responds

¶6. (SBU) The Tourism Board's Anh responded to criticism by noting that much work is underway and stressing that resources are limited.

Vietnam does not have a budget to carry out an international advertising campaign akin to Malaysia's, he said, defending the government's refusal to share the tourism master plan with the tourism industry. "I don't think they are interested," he said, adding that government ministries need to coordinate further before the plan is released. Regarding its marketing plans, the GVN is focused on the issue and is working with a number of international consultants, he asserted. Such consultants included an "expert" from Cuba, Anh said. At the end of the meeting, Anh handed Econoff a set of tourism materials. Included were several brochures and a calendar, from 2005.

¶7. (SBU) Comment: The Vietnam tourism industry, though developing rapidly, is plagued by the same problems affecting Vietnam's development overall: a sluggish, non-transparent bureaucracy, corruption, a poor infrastructure, weak human resources and limited

financing, to name a few. While the industry will no doubt grow -- and do so quickly -- it is becoming increasingly possible that Vietnam's "hidden charm" will disappear if the GVN does not improve its game plan for the industry's development over the next few years. End Comment.

MARINE